

Message Text

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PAGE 01 OTTAWA 00717 27213 Z

70

ACTION EUR-25

INFO OCT-01 ADP-00 AID-20 EB-11 NSC-10 RSC-01 CIEP-02

SAL-01 SS-14 STR-08 OMB-01 CEA-02 TRSE-00 PA-03 PRS-01

USIA-12 RSR-01 COME-00 /113 W
----- 035929

R 272123 Z MAR 73

FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC 739

UNCLAS OTTAWA 0717

E. O. 11652: N/A

TAGS: EFIN, ETRD, CA, US

SUBJECT: US- CANADA ECONOMIC ISSUES: REACTION TO CIEP REPORT

BEGIN SUMMARY: MEDIA COVERAGE OF CIEP REPORT TO CONGRESS
STRONG BUT VARIED WIDELY IN EMPHASIS. TORONTO GLOBE
AND MAIL AND STAR GAVE IT RATHER SENSATIONAL PLAY IN
LEAD STORIES. GLOBE AND MAIL STRESSED USG RECOGNITION
OF GROWING NEED FOR CANADIAN RESOURCES AS KEY TO DETERIO-
RATING TRADE BALANCE. STAR HEADLINED, "NIXON TO SQUEEZE
CANADA, TOP ECONOMIC ADVISER (RINFRET) SAYS ". COMPANION
ARTICLE HEADLINED, "NIXON WANTS NEW DEAL ON TRADE WITH
CANADA". MORE BALANCED STORIES IN MONTREAL GAZETTE AND
FINANCIAL TIMES, HEADLINED, "NIXON SEEKS WIDE TARIFF
POWERS", AND "NIXON'S MIDDLE LINE". TORONTO AND OTTAWA
EDITORIALS CRITICIZED REPORT AS INDICATIVE "US EXPECTS
TOO MUCH" FROM CANADA AND BILATERAL RELATIONS FACE DIFFICULT PERIOD.
IN HOUSE OF COMMONS MAR 22, OPPOSITION LEADER STANFIELD
SUGGESTED REPORT ATTACKED GOC REGIONAL DEVELOPMENT
POLICY AND PM SHOULD DISCUSS THIS WITH PRESIDENT. END SUMMARY

1. STAR RESPONDED TO CIEP REPORT AND ITS INTERVIEW WITH
RINFRET WITH MAR 24 EDITORIAL, "US PUTS SQUEEZE ON CANADA".
SAID THREAT TO CANADIAN JOBS NOW UNMISTAKABLE. CALLED FOR "RE-
DOUBLED" GOC EFFORT TO PERSUADE USG IT "CANNOT POSSIBLY
SOLVE TRADE AND EMPLOYMENT PROBLEMS AT CANADA'S EXPENSE,
AND IF IT TRIES TO DO SO, BAD POLITICAL CONSEQUENCES
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PAGE 02 OTTAWA 00717 272213 Z

W LOANS

(INCLUDING USG) DESIGNED TO HELP DEVELOPMENT. HE SAID AFGHANISTAN IS MASTER OF ITS OWN INTERNAL PROBLEMS AND A. I. D. CANNOT DO MORE OR MOVE ANY FASTER THAN RGA IS PREPARED TO.

3. AMBASSADOR EXPRESSED APPRECIATION USG FOREBEARANCE AND RAISED FOLLOWING SPECIFIC ISSUES WITH WHITE AND DR. HANNAH.

A. KAJAKAI TRANSMISSION LINE: REFERRING TO DR. HANNAH'S VISIT AMBASSADOR ASKED STATUS OF RGA'S REQUEST FOR A. I. D. FINANCING THE LINE. A. I. D. REPLIED WE ARE GIVING FAVORABLE CONSIDERATION AND BUREAU ENGINEER (STEPHENSON) WILL LEAVE FOR KABUL IN FORTNIGHT TO DISCUSS TECHNICAL QUESTIONS. WE SAID THAT UNLESS TRANSMISSION LOAN AS WELL AS DOLS3 MILLION SUPPLEMENTAL LOAN WAS ASSURED QUICK PASSAGE BY PARLIAMENT, WHICH WE UNDERSTOOD WAS REQUIRED TO VALIDATE RGA OBLIGATION, WE WILL HAVE FURTHER DELAYS AND RGA MAY HAVE TO MEET ONGOING CONTRACT COSTS AS WELL AS START UP FOR TRANSMISSION LINE FROM ITS OWN RESOURCES. WE CANNOT DISBURSE UNDER THE SUPPLEMENTAL LOANS WITHOUT PROPER RGA APPROVAL OF LOAN OBLIGATION. THE AMBASSADOR WAS REQUESTED TO IMPRESS UPON HIS GOVERNMENT URGENCY OF THIS MATTER DURING HIS CONSULTATION, IF NOT SOONER. (SEE STATE 048513 ON NEED FOR LEGISLATIVE ACTION AND STEPHENSON VISIT).

B. PL 480 TITLE I: WE PASSED RGA FORMIN CABLE (KABUL 1958) TO AMBASSADOR AUTHORIZING HIM TO REQUEST PAS UNDER FEBRUARY AGREEMENT. HE SAID ORIGINAL REQUEST WAS FOR 50,000 MT WHEAT AND WHILE HE KNOWS THAT FINAL AMOUNT FLUCTUATES BECAUSE OF MARKET PRICE HE FOUND AGREED UPON AMOUNT TO BE EXTREMELY LOW. A. I. D. RESTATED RATIONALE FOR LESSER AMOUNT GIVEN TO EMBASSY DURING NEGOTIATIONS. WE SAID THAT LIMITATION ON MONEY LEVELS (BY USDA AND OMB), REDUCED SUPPLIES AND HIGHER PRICES RESULTING FROM EXTRAORDINARY EXPORT SALE OF WHEAT WERE CONTRIBUTING LIMITED OFFICIAL USE

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PAGE 03 STATE 056550

FACTORS. AMBASSADOR ASKED WHETHER MONEY LEVEL OR QUANTITY GOVERN AGREEMENT. ANSWER THIS QUESTION AND DETAILS ON PA'S ISSUANCE SUBJECT SEPTTEL. DECON ONE YEAR. ROGERS

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